Report of the Manager of the Federal Crop Insurance Corporation, 1950

UNITED STATES DEPARTMENT OF AGRICULTURE

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United States Department of Agriculture,
Federal Crop Insurance Corporation,
Washington, D. C., September 25, 1950.

Honorable Charles F. Brannan,
Secretary of Agriculture.

Dear Mr. Secretary: I present herewith the Annual Report of the Federal Crop Insurance Corporation for the fiscal year 1950. This report summarizes the Corporation's activities for the crop year 1949 and the early-season activities for the crop year 1950.

Sincerely yours,

G. F. Geissler,
Manager.

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CROP INSURANCE AND ITS OPERATION

The purpose of Federal Crop Insurance is to provide farmers insurance protection on the money and labor invested in producing crops against losses due to the production risks beyond the farmer's control.

While the need and the value of such protection has long been recognized, the Federal Crop Insurance Corporation has been working only since 1939 toward the major objectives of developing a sound basis for providing such protection and making it available to farmers in all important agricultural areas of the Nation. Significant progress has been made in recent years toward filling the gap in the business structure of farming operations when crop investments are unprotected against catastrophic losses.

Although the Corporation has many problems still to solve and new ones can be expected to develop, it is now clearly evident from recent experience that such protection can be provided farmers on a sound basis. This is apparent through study of the experience of the Cor-

poration in recent years, which shows that indemnities paid farmers for crop losses have closely paralleled crop conditions, with premiums exceeding indemnities for the 3-year period of 1947–49.

Practical illustration that the present program has been developed to a sound operating basis was the recommendation of the 1950 National Crop Insurance Conference that the present program be continued next year without major changes. This conference brought together insured farmers and administrative people from the county, State and national levels for review and recommendations on actuarial structure, program provisions and servicing of contracts. As a result of this review, only a few minor program changes are being made and the conference recommended that concerted efforts be directed at all levels toward improvement of the efficiency of operations made possible through the stabilizing of program provisions and methods of operation.

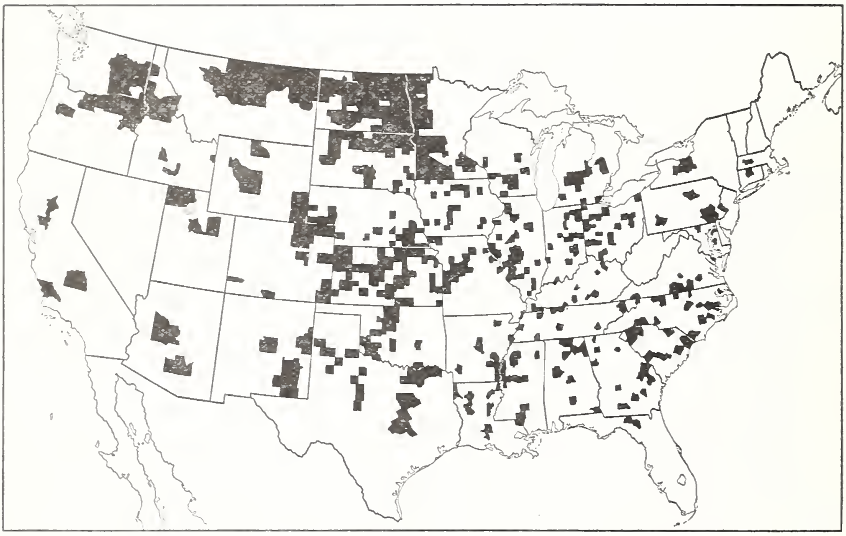

FIGURE 1.—Location and area of counties in which 1950 crop insurance programs are operating.

The ultimate objective of making crop investment protection available to farmers in all important farming areas is still far from being attained, but gradual progress is being made in expanding program operations to additional counties under the authorization for limited expansion each year through 1953, as contained in legislation approved August 25, 1949. In the 1950 crop year there are 624 county insurance programs in operation, as compared with 394 the previous crop year. A similar amount of expansion for the 1951 crop year is already underway. The location and area of the 624 counties for 1950 are shown in figure 1.

What Crop Insurance Is

Federal crop insurance provides farmers protection on their investments in growing crops against unavoidable loss from such causes as

drought, flood, windstorm, hail, freeze, insect infestation, and plant disease. It insures a specified return, or coverage, and if unavoidable loss due to insurable causes reduces the production below the guaranteed amount, the farmer is indemnified for the difference. For this protection producers pay a premium which reflects the risk of producing the crop in the area.

The cost of the protection in a county is established at a rate which over a representative period of years is expected to provide premiums sufficient to cover losses paid in the county and to build a reasonable reserve against future heavy-loss years. The need for crop insurance protection reveals that premiums and indemnities will not balance every year, but that in years of good crops premium reserves will accumulate for use when crop failure is so widespread that indemnities exceed premiums. This principle of "the good years taking care of the bad years" is fundamental to sound crop insurance operations.

In establishing coverages in a county, land of similar productivity carries the same amount of coverage per acre, which is limited by law to not more than the average investment per acre in the production of the insured crop in the area. Insuring not more than the cost of producing the crop represents the most desirable type of insurance on growing crops, as the loss of a small part or even all of his profit is never as disastrous to a farmer as the loss of the money and labor invested in producing the crop. A level of protection which approximates the cost of production also lessens any moral hazard which may be present.

Coverage under the contract in 1950 is of two general types—commodity and monetary. The only important difference in the two types is the time of converting commodity units to dollars. Under both types, coverages and premium rates are first established in terms of bushels, pounds or tons, depending on the commodity insured. For commodity insurance the coverage and premium rates remain in bushel or pound units at the time the insurance is offered to the farmer, and the premium is later converted to a dollar amount when the price for the crop year is established. If a loss occurs, the indemnity is first determined in bushels or pounds and then converted to dollars with the same price used to figure the premium.

Both the coverage and the premium rate are converted to dollar amounts before the monetary insurance is offered to the farmer. The same price used to establish the coverage and premium in dollars is also used to value any production of the insured crop in adjusting losses.

How Crop Insurance Works

A farmer applies for insurance through the county office of the Production and Marketing Administration by filing a signed application before the dead-line date. Applications are reviewed jointly by Corporation representatives and local people responsible for the administration of the program so that any judged to involve undue risk will be rejected. An insurance policy is mailed to applicants who are accepted as policyholders in the county program. This policy will continue in force from year to year unless canceled by either the farmer or the Corporation.

The protection is against unavoidable loss from specified causes and the insurance period generally is from planting until harvest.

The insured farmer is required to plant and care for the crop in accordance with good farming practices. The policy does not cover avoidable causes of loss and specifically excludes protection against losses over which the farmer may exercise some control, such as breakdown of machinery, shortage of fertilizer or labor, or failure to follow recommended practices in the control of insects.

Federal crop insurance is sold on the basis of a stated amount of coverage per acre and premium rate per acre, and the total coverage and premium cost for a farmer are dependent upon the acreage planted by him and his share in such acreage. An open note for the premium is included in the application for insurance and is therefore executed with the signing of the application. Soon after the crop is planted each year, the farmer submits a report to the county office, showing the number of acres planted to the insured crop(s) and his share therein. Payment of the premium is discussed on page 9.

Any time there is material damage to an insured crop and it is too late to replant the crop, the policy requires the farmer to give notice to the county office so that an inspection of the damage may be made. Any acreage released before harvest by Corporation adjusters has a lower coverage than harvested acreage, depending on the stage of production reached by the crop. The coverage increases as additional production costs are incurred. If the damaged crop has not been destroyed to the extent that the adjuster releases the acreage, the farmer continues to care for and harvest the crop. Any time that production from the crop is less than the guaranteed coverage, due to insured causes, the insured farmer is indemnified for the difference. Premiums and indemnities are always paid in cash.

Stabilizing Benefits of Crop Insurance

Crop insurance provides farmers the opportunity to add a basic principle of good business to their farming operations. It will keep them from losing money by insuring the production costs that they must invest every year in an effort to make a profit from crop production. It is sound business for the farmer whether the investment he protects is profit from previous crops or money borrowed to make the crop.

When an insured crop is destroyed by unavoidable causes, the value to the farmer of the return of all or a major part of his investment through an indemnity check is obvious. The value of this protection, however, does not stop there but extends to the local business community and through it into the channels of trade far beyond the locality where the loss occurs.

The value of investment protection on the scattered losses which occur every year in most counties would add up to a substantial contribution to the Nation as well as the individual farmers on a national basis. However, the value of crop investment protection is illustrated more graphically when crop disaster is widespread. Two Montana wheat insurance counties that were hit hard by drought in 1949 provide a good example of the value and importance of investment protection. Crop insurance indemnities paid to insured farmers exceeded a half million dollars in each county. In such cases the value of crop insurance not only to the farmers, but to the business community as well, is strongly emphasized to all involved. The

extension of the benefits of these protected investments outside of the local business communities into the channels of trade with which they deal is also obvious.

Such catastrophic losses also emphasize the need for building county premium reserves to use when crop disaster strikes. In the case of the counties cited above, one had accumulated sufficient reserves in other years to cover its losses while the other's reserve account was only about 50 thousand dollars short of covering the heavy loss incurred by its insured farmers. These catastrophic county losses also show very clearly how relief financing necessary under similar loss experiences in the past could be largely if not entirely eliminated if all farmers carried all-risk insurance of their crop investments as an established part of their operating costs.

Businessmen in crop insurance counties in increasing numbers are recognizing the value of crop insurance to the business community as well as to the farmers. This expanding understanding of the importance of basic farm insurance will eventually lead to general recognition of the tremendous value to the Nation's economy that will result when this basic protection can be offered to all farmers. When the financial position of the farmer is impaired it affects all who benefit either directly or indirectly from his purchasing power. Obviously reducing the financial impact of crop failures benefits many so far removed from the scene of the losses that they could have no opportunity to be aware of them, or to recognize that they could have any effect on their own situation.

Operating Set-up

Efficiency and economy in the administration of crop insurance at all levels, both for the present and the future, is being given constant attention by the Corporation through study and analysis of all phases of its operations.

The over-all program and administrative policies are determined by the board of directors, composed of Clarence J. McCormick, Under Secretary of Agriculture; Ralph S. Trigg, Administrator of the Production and Marketing Administration; two members from the private insurance field not otherwise employed by the Government—James B. Cullison, Jr., of Chicago, Ill., and Clarence W. Swanebeck of Fenton, Mich.—and Gus F. Geissler, Manager of the Corporation. Mr. Swanebeck has had wide experience in insurance and is at present secretary-treasurer and manager of a Mutual Fire Insurance Company in Lansing, Mich. Mr. Cullison has had over 30 years of private insurance experience and has been manager of the rain and hail departments of several large insurance companies.

General executive direction and supervision of the insurance operations and the development of program provisions and establishment of coverages and rates are handled by the Washington office, consisting of the office of the manager and six divisions—administrative, claims, finance, program development, sales, and underwriting. In the Manager's office, three area directors are responsible for coordinating and directing field activities in their areas. The Corporation has one branch office in Chicago which maintains program accounting records for each insured, computes premiums, bills insureds and receives

payment of premiums, approves and pays loss claims, and summarizes statistical data needed by the Washington office.

The Production and Marketing Administration, through a cooperative agreement with the Corporation, has accepted the responsibility for carrying out much of the crop insurance work at the county level. The PMA Administrator's office works with the Manager's office in formulating policies and supervising performance on crop insurance work for which the State and County PMA offices are responsible. The State PMA committee is responsible for the performance of county offices on crop insurance responsibilities and cooperates with the State crop insurance director in the general administration of the program including the selection of new counties and recommendation of program or administrative improvements.

The agreement with PMA aims at economy of operation and avoids duplication of existing facilities. The Corporation issues the instructions covering the various phases of program operations performed by PMA and transfers administrative funds to PMA for the supervision required and the actual work performed. Successful county programs require efficient and aggressive administration by the PMA county committees. They assist Corporation representatives in establishing the coverage and premium rate areas in the county, are responsible for presenting the program to farmers and building participation, obtaining acreage reports, collecting premiums and relaying reports of damage or loss and inspection requests to Corporation representatives.

Loss-adjustment work is handled by the Corporation's State crop insurance director and his personnel. There are 29 State crop insurance offices. A State director is in charge of each of these offices and is primarily responsible for the operation and supervision of the program in his State. State directors and their personnel assist PMA committees in carrying out their responsibilities and analyze performance and progress in each county. A few State offices serve more than one State. Problem cases and completion of any delinquent work are handled by the State directors.

MAJOR HIGH LIGHTS

One of the major high lights of the fiscal year 1950 was providing insurance to 307,257 farmers in a total of 624 counties as compared with 165,079 farmers in 394 counties the previous year. This increase in the number of counties was authorized by legislation approved August 25, 1949, which authorized crop insurance program expansion each year from 1950 through 1953, to 100 additional wheat counties, 28 cotton, 25 flax, 25 corn, 17 tobacco and 10 dry edible bean. Under this authorization the wheat program was increased from 199 counties in 1949 to 283 in 1950, cotton from 52 to 80, flax from 48 to 63, corn from 44 to 73, tobacco from 35 to 52 and beans from 9 to 18. The legislation also authorized operation of multiple crop insurance in 50 counties and the addition of 25 counties each year of the expansion period.

Multiple-Crop Insurance

The outstanding development of recent years in the Corporation's progress toward perfecting a program of crop-investment protection

for all farmers is the multiple-crop insurance plan. It was started in 2 counties in the 1948 crop year, expanded to 7 counties in 1949 and to 55 in 1950. Under this plan of insurance, designed especially to meet the insurance needs of farmers in areas where one crop does not contribute a major part of the farm income, the farmer is offered protection of his investment in several crops under one policy. The policyholder has a specified dollar amount of coverage on his insured crops. A loss occurs under the policy when the total dollar value (based on prices set forth in the policy) of the production of all the insured crops is less than the coverage.

Naturally, under this kind of program, diversification lessens the risk since failure of one or more of a farmer's crops may be offset by high production of other crops. This lowering of the risk is recognized by decreasing the premium rate as diversification increases.

The number of crops insured in counties ranges from 3 to 7, with a total of 27 different crops insured in the 55 multiple crop counties for 1950. The variety of crops covered, and the number of counties and States in which each crop is insured, under the 1950 multiple-crop insurance program, are shown in the following tabulation:

Crops:	*Counties and States in which the specified crops are insured* — *Counties (number)*	*States (number)*
Grain:		
Barley	27	12
Corn	50	24
Grain sorghum	8	3
Oats	43	18
Wheat	39	16
Food:		
Canning peas	2	1
Dry edible beans	5	3
Potatoes	4	3
Rice	3	2
Strawberries	1	1
Sugarbeets	2	2
Sugarcane	1	1
Sweetcorn	2	2
Sweetpotatoes	5	4
Tomatoes	1	1
Oil:		
Flax	19	6
Peanuts	7	5
Soybeans	27	12
Seed:		
Austrian peas	1	1
Hubam clover	1	1
Ryegrass	1	1
Vetch	1	1
Hay:		
Alfalfa	5	5
Clover-timothy	5	5
Lespedeza	1	1
Other:		
Cotton	12	9
Tobacco	7	5
Total counties and States in which multiple-crop insurance is provided in 1950	55	27

Response of farmers in the multiple-insurance counties to the program has been outstanding and interest on the part of farmers in other counties is spreading rapidly.

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Mutual Concept Strengthened

Under the actuarial policy of the Corporation, the actual loss experience of each county is incorporated into its premium rates, so that the county loss experience directly determines the cost of the protection to its policyholders. As farmers understand that the actual experience of the program in the county is the determining factor in the protection that can be offered and the cost of this protection, personal interest in efficient and sound operation of the county insurance program on the part of the policyholder is greatly increased. A logical answer to farmers' desire for more coverage or lower premium rates by counties is provided, since these can now be obtained through experience that proves the soundness of such changes. In many counties the increased interest of policyholders in their county program is already resulting in improved participation and understanding of crop insurance as a business proposition—a program of insurance protection which the insured carries to protect against what might happen but which he sincerely hopes will not happen.

Further emphasis of the direct effect of actual experience on the county program and its policyholders is provided through a premium adjustment plan when favorable experience results in the accumulation of premium reserves in excess of the minimum requirement established for the county. Policyholders benefit directly from the excess reserves through a premium adjustment of from 5 to 30 percent the year following the accumulation of the county reserve above the minimum requirement. The percent of adjustment varies with the amount of excess reserve. A number of counties already are qualified for this premium reduction.

This same plan operates in reverse with policyholders' premium costs increased from 5 to 30 percent following a year in which the county program experience shows a deficit of more than 10 percent of the required reserve. This enables needed premium increases to be made immediately following loss experience which makes such increases necessary and while policyholders are well aware of why the premium rates are increased.

The individual policyholder also receives credit for good experience through a 25 percent reduction in his premium after seven consecutive years of insurance without a loss or when his premium balance for consecutive years of insurance exceeds his guaranteed coverage under the contract.

Policyholders' Meeting

Success of the crop insurance program to a major degree depends upon local administration and policyholders regarding it as an insurance program operating on a business basis. An encouraging indication of more active interest and concern with how the county program operates is the increasing practice of holding meetings of policyholders in counties. These policyholders' meetings result in better understanding on the part of policyholders and active assistance from them in improving the soundness of county operations. Policyholders' questions are answered at these meetings and usually they are given a brief report on crop insurance operations from the State and national

point of view. Policyholders at some meetings have elected advisory committees to assist the county PMA committee in screening risks and improving the classification of land for coverage and rate purposes. Some have asked that they be provided a list of the losses paid under the county program before the next annual meeting. The value of policyholders giving close attention to the experience and operation of their county programs can mean much toward the strengthening of county operations and the Corporation is encouraging all States and counties to hold such meetings.

Collecting Premiums

Recognition of the value of building a county premium reserve to cover a heavy-loss year and to reduce the cost of the protection also adds emphasis to the importance of collecting every premium that is due for protection provided in the county. Early payment of premiums is now encouraged by a 5 percent discount to producers who report their planted acreage promptly and pay their premium before a specified date. This discount plan for early payment of premium was tried experimentally in 1949 and extended to all programs for 1950. It has resulted in the payment of a substantial part of the premiums by the discount date in many counties and can be expected to show improved results as more farmers recognize its effect on their protection costs and increased effort is made by counties to complete collection work early.

The note for the premium, executed in signing the application for insurance, matures about harvesttime, and the insured is billed at that time for the amount of premium due if he has not paid it earlier and obtained the discount. Although it might appear desirable to follow the practice of collecting premiums before insurance attaches, as in the case of most private insurance, certain problems peculiar to crop insurance make such a plan difficult. The amount of the premium cannot be determined until after the crop is planted and an acreage report obtained from the insured, which is sometime after the insurance protection becomes effective. Also, many farmers depend on the income from the crop to pay the costs of producing the crops, including the cost of insurance.

In many cases the farmer is required by the Corporation to secure an acceptable co-signer to his premium note before his application for insurance is accepted. Even so, there are some premiums that are difficult to collect. During the 1950 fiscal year, in addition to collections for the current crop year, intensive efforts were continued to clean up the residue of outstanding debts for the prior crop years. Many such cases involved controversial matters which had to be settled. These efforts have resulted in a decrease of approximately 1.3 million dollars during the fiscal year in the unpaid premiums for previous years. The remaining balance of uncollected premium notes amounts to approximately 2.4 percent of the total premiums for the years involved. During recent years the Corporation has strengthened its policy regarding the collection of premiums and in the ensuing year still more intensive efforts will be made to keep premium collections in a current status.

Eliminating Poor Risks

Building a sound county crop insurance program requires that only sound risks be insured. In the 1950 fiscal year continued emphasis was placed on the elimination of risks considered too great to include in the operation of a sound county insurance program. Corporation actuaries working with the local committeemen reviewed the risks of loss in each county and every effort was made to eliminate unsound insurance risks. In this review the actual losses experienced under previous programs were closely studied and served to help identify land and individuals that were declared noninsurable. There are 3.3 percent of the cropland and more than 12,000 farmers in the 624 counties where crop insurance is now operating that are uninsurable because of the high risk of loss involved. The elimination of high-risk farmers and land is in accordance with an expressed provision of the Crop Insurance Law and with sound administrative policies.

Improved Field Administration

The successful operation of a crop insurance program also depends to a great extent on the efficiency of local people who handle the administrative details at the farm level. During the fiscal year the Corporation has continued and expanded its program for training these people. Insofar as the insured farmer is concerned, the Federal Crop Insurance Corporation is primarily a service organization. Most of the persons responsible for the local job of servicing contracts work only part time. Those selling the insurance usually work only a short period of the year; adjusters work only in season and then only if there are losses. For county committees and their assistants, crop insurance is only one of several programs administered and full time is seldom given to it. Under such circumstances of intermittent work on the program, periodic review and training are essential.

The importance of the servicing operations and the obvious problems of part-time employment have resulted in the Corporation expanding and intensifying its efforts to improve field administration. This improvement applies to all phases of operations, from the establishment of coverages and premium rates for a particular tract of land, through the selling of insurance, to the complete and proper servicing of the contract after it is in force.

The adjustment of losses is a very important part of properly servicing contracts, and the past year brought further training in this phase of the work. The loss-adjustment staff, working under close supervision of State directors, has steadily gained proficiency each year as a result of systematic training and additional experience. This increased proficiency is maintained by the Corporation's system of periodically spot-checking the work of every adjuster. It is the policy of the Corporation to employ the smallest number of adjusters consistent with the job to be done and to use them in more than one county.

Loss adjusters are key persons in any insurance program: They are primarily responsible for adequately protecting the large over-all liability assumed by the Corporation, for the guardianship of farmers' premiums by seeing that these premiums are used to pay only justifiable losses, and for closely watching the entire program operations at

the farm level. They also must have a thorough knowledge of the purpose and plan of insurance so that they not only adjust losses in exact conformance with the terms of the policy but also can correct any misunderstanding which may exist concerning the protection offered, and yet leave the policyholder satisfied that his loss has been adjusted fairly.

Citrus Insurance

During the year the Corporation developed a citrus crop insurance program and offered it in selected areas of two counties in Florida, neither of which obtained the required number of applications to permit the program to be put in force under present legislation.

This was the first time that Federal crop insurance has been offered on a tree crop. The program was developed in cooperation with the industry and in response to increasing demand of citrus growers for insurance protection, following crop losses in the citrus-producing areas during recent years. Research on citrus insurance was initiated in the Department about 10 years ago, and about 5 years ago there was considerable additional study given to its feasibility as a result of producer interest at that time in protection against unavoidable citrus losses.

BUILDING UP PROGRAM PARTICIPATION

The 307,257 farmers with Federal crop insurance protection on their 1950 farming operations is nearly double the number of farmers insured the previous year. This increase over 1949 is accounted for partly by the additional counties in which insurance is provided in 1950 and partly by the increased number of insured farmers per county. The average number of insureds per county is now 492 as compared with 419 in 1949.

Experience of the Corporation has proven that obtaining the desired farmer participation in a crop insurance program must be a gradual process. Since the producer is required to buy this protection, it follows that building participation is not easy but progress is being made. The rate of this progress will increase as farmers become more familiar with the value to them of this protection. In the process of selecting new counties for expansion there are many counties where an enthusiastic interest in, and desire for, a crop insurance program gives assurance of a healthy measure of participation.

During the past year there have been clear indications of an increased interest on the part of farmers in the protection available under a crop insurance program. Improved methods of presenting the program to farmers and the concerted efforts at the county level to increase the farmer's understanding of the kind of protection he needs and is offered have resulted in an improvement in the quality of participation as well as less misunderstanding later concerning the basic terms of the policy. More than ever, farmers recognize the limitations as to the protection which can be expected under an insurance contract. Real progress is being made toward getting farmers to regard crop insurance as a program of protection—insurance protection which they should be anxious to have but from which they hope they will never collect.

Another important aspect of building participation is the practice, made possible through the use in all programs of a continuous contract, of carrying over insurance business from one year to the next without the necessity of new applications. Seventy-four percent of the 1949 business written on a continuing basis remained in effect for 1950. Part of the contracts which did not remain in effect were canceled by producers and part by the Corporation because of the risk involved.

The amount of carry-over business varies by commodities. Of the wheat continuous policies in force in 1949, 88 percent have been continued by producers for the 1950 crop year, 74 percent for flax, 82 percent for corn, 52 percent for cotton and 69 percent for tobacco. In crops like cotton and tobacco, it is to be expected that cancellations will run higher than in some other commodities. This results from the problem of obtaining a surety to guarantee the premiums, especially in the case of sharecroppers, and the Corporation's policy of canceling contracts for credit reasons and accepting new applications when the individual's credit problem is resolved.

With continuous contracts, it is expected that an increase in participation will continue to be shown from year to year until a county obtains a high percentage of participation. At present there is a wide variation between counties in the percentage of eligible producers who are protecting their crop investments with Federal crop insurance. Many counties already have from 50 to over 90 percent of their eligible producers participating. The others range downward from this high participation level to some with only a small percentage of producers who have made crop investment protection an established part of their farm plans. There are many reasons for this variation. They differ by counties, but the general explanation for variations between similar counties is the quality and amount of effort put forth locally to build participation. Even in counties with a small percentage of participation, the insured farmers who realize the need for protecting the investment in their crops and continue their insurance in force every year form a nucleus upon which to build higher participation.

In the tabulation below are the 1950 data, with comparisons for 1949, showing the number of counties in which an insurance program is operating, the number of contracts in force in these counties, and the percentage of eligible farmers insured for each program. It will be recognized that the addition of new counties may lower the percentage of total participation and that this percentage may also be adversely affected by the planting intentions of farmers due to such factors as price or allotments.

	Insurance data					
	Counties with insurance program		*Contracts in force*		*Eligible farmers insured*	
Program:	*1950 (number)*	*1949 (number)*	*1950 (number)*	*1949 (number)*	*1950 (percent)*	*1949 (percent)*
Wheat	283	199	84, 917	58, 881	21	21
Flax	63	48	20, 860	19, 267	34	40
Cotton	80	52	64, 266	26, 667	29	16
Tobacco	52	35	71, 956	35, 026	46	29
Corn	73	44	32, 389	19, 607	17	19
Dry edible bean	18	9	5, 137	2, 909	20	29
Multiple crop	55	7	27, 732	2, 722	22	19
Total	624	394	307, 257	165, 079	----	----

UNDERWRITING EXPERIENCE FOR THE 1949 CROP YEAR

The crop year 1949 is the last one for which underwriting experience can be given. The Corporation's total liability for 1949 was approximately 162 million dollars, and indemnities totaling 15.6 million dollars were paid to insured farmers for crop losses. These indemnities exceeded premium income by 3.9 million dollars, which was in line with the experience to be expected under the 1949 crop conditions in the insurance counties.

The 1949 wheat yield was the lowest in a decade, dropping to as low as 40–50 percent of average in much of the spring wheat area. Wheat losses paid to insured farmers amounted to 147 percent of the premiums. The wheat experience dominates the over-all underwriting experience because the wheat premiums represent two-thirds of the total 1949 premium income. In the case of cotton, the second largest program in terms of premium income, indemnities amounted to approximately twice as much as the premiums, because of crop failures that occurred in the central and eastern parts of the Cotton Belt. The remaining five programs, as will be noted from the following tabulation, operated with a substantial premium surplus:

Underwriting Experience, 1949

	Premiums	*Indemnities*	*Loss ratio*
Program:			
Wheat	$7, 718, 446	$11, 320, 047	1. 47
Flax	883, 517	542, 822	. 61
Cotton	1, 583, 692	3, 112, 623	1. 97
Tobacco	741, 153	490, 972	. 66
Corn	586, 942	94, 681	. 16
Dry edible bean	95, 150	61, 952	. 65
Multiple crop	136, 678	22, 149	. 16
Total	11, 745, 578	15, 645, 246	1. 33

Sound crop insurance operations will result in premium reserves being accumulated in good crop years to cover losses in the years when crops are below normal. For the past 3 years the experience of the Corporation has followed this pattern with 1949 being the first year since 1946 that an operating deficit occurred. The 1947 and 1948 operations both showed a substantial premium surplus, with the 1948 surplus alone being more than adequate to absorb the 1949 deficit.

The 1949 underwriting experience for all programs is summarized in table 1 and is given in detail for the several programs in the next seven sections of this report.

TABLE 1.—*Federal crop insurance experience, summary of all programs, 1948–49*

(As of June 30, 1950)

Program and crop year	Counties with insurance program	Contracts in force [1]	Crop planted and premium earned								
			Contracts [1]	Farms [1]	Indemnities	Insured acreage	Maximum liability [3]	Premiums	Indemnities	Surplus or deficit	Loss ratio
	Number	*Number*	*Number*	*Number*	*Number*	*Acres*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	
Wheat:											
1948	200	84, 990	64, 693	96, 170	10, 040	6, 514, 839	84, 555, 300	8, 582, 984	[4] 5, 009, 031	3, 573, 953	0. 58
1949	199	58, 881	52, 456	78, 245	17, 832	7, 759, 861	82, 897, 300	[5] 7, 718, 446	11, 320, 047	−3, 601, 601	1. 47
Flax:											
1948	48	16, 782	13, 979	17, 257	1, 932	753, 650	13, 571, 842	1, 546, 806	795, 096	751, 710	. 51
1949	48	19, 267	13, 754	16, 775	2, 600	683, 443	7, 783, 550	883, 517	542, 822	340, 695	. 61
Cotton:											
1948	53	19, 479	18, 040	22, 042	2, 619	681, 742	22, 119, 049	1, 411, 556	602, 379	809, 177	. 43
1949	52	26, 667	24, 729	29, 615	9, 522	976, 263	26, 716, 527	1, 583, 692	3, 112, 623	−1, 528, 931	1. 97
Tobacco:											
1948	32	31, 622	30, 829	39, 801	1, 929	136, 199	21, 332, 610	655, 774	284, 657	371, 117	. 43
1949	35	35, 026	34, 421	44, 084	3, 659	[2] 140, 210	22, 111, 900	741, 153	490, 972	250, 181	. 66
Corn:											
1948	36	14, 141	14, 119	16, 520	310	752, 478	11, 166, 114	435, 249	74, 398	360, 851	. 17
1949	44	19, 607	19, 498	23, 767	547	1, 079, 336	16, 671, 599	586, 942	94, 681	492, 261	. 16
Dry edible bean:											
1948	4	1, 444	1, 423	1, 577	76	37, 505	754, 065	32, 396	9, 338	23, 058	. 29
1949	9	2, 909	2, 764	3, 189	324	102, 561	1, 737, 270	95, 150	61, 952	33, 198	. 65
Multiple crop:											
1948	2	714	699	824	11	45, 616	586, 979	23, 766	1, 387	22, 379	. 06
1949	7	2, 722	2, 717	3, 029	111	336, 588	4, 099, 542	136, 678	22, 149	114, 529	. 16
Total all programs:											
1948	375	169, 172	143, 782	194, 191	16, 917	8, 922, 029	154, 085, 959	12, 688, 531	6, 776, 286	5, 912, 245	. 53
1949	394	165, 079	150, 339	198, 704	34, 595	11, 078, 262	162, 017, 688	11, 745, 578	15, 645, 246	−3, 899, 668	1. 33

Other income and expenses, net, 1948–49	------	------	------	------	------	------	------	------	------	103, 049	------
Total operating results, 1948–49	769	334, 251	294, 121	392, 895	51, 512	20, 000, 291	316, 103, 647	24, 434, 109	22, 421, 532	2, 115, 626	. 92

[1] The number of contracts on which a premium was earned is less than the number of contracts in force because farmers in some years do not plant any acreage of the insurable commodity. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

[2] Tentative.

[3] Based on coverage for harvested acreage. Partially estimated for 1948 and 1949 wheat and estimated for 1949 tobacco.

[4] Includes a loss from hedging operations amounting to $25,938.

[5] Includes a gain from hedging operations amounting to $231,981.

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Wheat Insurance

The crop year 1949 was the tenth year of insurance on wheat and the first time in the last 5 years that wheat indemnities exceeded premiums. In the 199 counties where the program operated in 1949 there were 58,881 farmers insured on which the liability was approximately 83 million dollars. The premiums amounted to 7.7 million dollars, and indemnities of approximately 11.3 million dollars were paid to insured farmers for crop losses, leaving a deficit of about 3.6 million dollars.

During each year of the 1945–48 period the wheat crops were uniformly good and the insurance losses correspondingly light. However, the 1949 wheat average yield per acre for the Nation was the lowest since 1938, and in addition, wide variations occurred between different areas. The States of Kansas, Nebraska, North Dakota, South Dakota, and Montana, where half of the country's wheat is normally produced, had a combined yield per acre of only 74 percent of the 10-year average and several large areas in these States produced less than half of a normal crop. Protection against such unavoidable crop failure is the purpose of Federal crop insurance, and it is expected in such years that indemnities paid to farmers will exceed the premiums.

The 1949 wheat program in the 199 counties where it operated was essentially a continuation of the previous year's program in these counties. Details of the 1949 insurance experience are shown in table 2, by States, with the 1948 experience for comparison.

TABLE 2.—*Wheat crop insurance experience, by States, 1948–49*

(As of June 30, 1950)

State and crop year	Counties with insurance program	Contracts in force [1]	Crop planted and premium earned: Contracts [1]	Farms [1]	Indemnities	Insured acreage	Maximum liability [2]	Premiums	Indemnities	Surplus or deficit	Loss ratio
	Number	*Number*	*Number*	*Number*	*Number*	*Acres*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	
California:											
1948	3	306	196	460	309	107, 258	2, 050, 700	238, 265	1, 123, 203	−884, 938	4. 71
1949	3	277	217	461	368	133, 398	2, 004, 400	201, 500	852, 439	−650, 939	4. 23
Colorado:											
1948	6	589	468	936	197	122, 338	1, 080, 600	171, 988	109, 813	62, 175	. 64
1949	6	1, 048	920	1, 627	464	234, 364	1, 938, 300	244, 471	249, 683	−5, 212	1. 02
Idaho:											
1948	6	765	599	968	145	73, 083	1, 462, 600	89, 064	86, 016	3, 048	. 97
1949	5	547	503	781	62	97, 482	1, 718, 000	76, 956	68, 722	8, 234	. 89
Illinois:											
1948	8	7, 406	5, 121	7, 079	139	211, 965	3, 213, 100	315, 822	30, 602	285, 220	. 10
1949	8	3, 770	3, 439	4, 515	44	140, 141	1, 667, 700	110, 160	5, 099	105, 061	. 05
Indiana:											
1948	9	7, 968	5, 846	7, 255	447	151, 505	2, 600, 800	200, 404	46, 790	153, 614	. 23
1949	8	3, 002	2, 501	3, 018	72	66, 129	911, 200	41, 684	5, 956	35, 728	. 14
Kansas:											
1948	30	7, 392	6, 081	10, 288	1, 075	793, 973	8, 541, 400	1, 006, 893	415, 622	591, 271	. 41
1949	29	4, 825	4, 563	7, 457	2, 379	772, 293	5, 476, 500	494, 518	841, 228	−346, 710	1. 70
Maryland:											
1948	2	1, 154	896	1, 078	570	30, 247	728, 800	36, 100	141, 026	−104, 926	3. 91
1949	2	704	601	687	29	23, 842	297, 500	11, 041	2, 852	8, 189	. 26
Michigan:											
1948	6	7, 656	5, 533	6, 608	575	109, 585	2, 488, 400	151, 295	58, 168	93, 127	. 38
1949	5	1, 690	1, 377	1, 687	71	25, 550	433, 200	16, 179	6, 149	10, 030	. 38

See footnotes at end of table.

TABLE 2.—*Wheat crop insurance experience, by States, 1948–49*—Continued

(As of June 30, 1950)

State and crop year	Counties with insurance program	Contracts in force [1]	Crop planted and premium earned								
			Contracts [1]	Farms [1]	Indemnities	Insured acreage	Maximum liability [2]	Premiums	Indemnities	Surplus or deficit	Loss ratio
	Number	*Number*	*Number*	*Number*	*Number*	*Acres*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	
Minnesota:											
1948	7	3, 842	2, 633	3, 222	381	181, 035	2, 562, 800	140, 736	136, 032	4, 704	0. 97
1949	8	3, 940	3, 247	4, 123	507	328, 800	4, 586, 000	248, 227	180, 214	68, 013	. 73
Missouri:											
1948	9	6, 453	3, 622	5, 019	486	176, 279	2, 266, 700	319, 616	114, 527	205, 089	. 36
1949	9	2, 844	2, 259	2, 960	301	104, 150	875, 500	74, 575	41, 712	32, 863	. 56
Montana:											
1948	11	2, 444	2, 212	5, 657	848	706, 598	9, 621, 200	1, 543, 990	598, 327	945, 663	. 39
1949	12	3, 412	3, 226	6, 834	3, 616	1, 169, 108	14, 198, 400	1, 994, 915	4, 088, 862	−2, 093, 947	2. 05
Nebraska:											
1948	12	5, 956	4, 632	6, 979	841	322, 313	4, 318, 600	572, 676	255, 092	317, 584	. 45
1949	13	3, 387	3, 173	4, 664	2, 303	302, 623	3, 719, 800	395, 048	922, 867	−527, 819	2. 34
New Mexico:											
1948	2	101	85	174	120	47, 538	384, 300	135, 233	299, 066	−163, 833	2. 21
1949	2	180	154	218	87	74, 569	608, 100	108, 516	211, 940	−103, 424	1. 95
New York:											
1948	2	1, 126	828	1, 055	45	19, 718	518, 900	34, 187	7, 596	26, 591	. 22
1949	2	417	357	423	5	8, 276	189, 200	9, 485	312	9, 173	. 03
North Dakota:											
1948	20	9, 020	8, 353	13, 823	579	1, 280, 631	12, 307, 100	1, 244, 503	185, 038	1, 059, 465	. 15
1949	23	11, 551	10, 836	17, 315	3, 168	1, 849, 257	17, 460, 200	1, 521, 572	1, 203, 561	318, 011	. 79
Ohio:											
1948	10	7, 115	5, 459	6, 969	402	140, 101	2, 845, 700	189, 063	43, 603	145, 460	. 23
1949	10	3, 944	3, 435	4, 219	64	84, 161	1, 453, 900	59, 933	4, 107	55, 826	. 07

Oklahoma:											
1948	12	4, 077	3, 181	4, 992	439	507, 939	5, 636, 100	588, 698	164, 016	424, 682	. 28
1949	11	2, 456	2, 162	3, 104	849	362, 857	3, 079, 100	236, 441	550, 134	—313, 693	2. 33
Oregon:											
1948	5	703	577	1, 150	89	268, 161	5, 194, 800	224, 698	230, 506	—5, 808	1. 03
1949	5	668	579	975	195	258, 126	4, 805, 700	161, 973	294, 003	—132, 030	1. 82
Pennsylvania:											
1948	5	3, 612	2, 608	2, 854	800	40, 020	1, 232, 200	66, 618	124, 954	—58, 336	1. 88
1949	4	1, 311	1, 130	1, 233	25	19, 386	460, 800	16, 340	1, 083	15, 257	. 07
South Dakota:											
1948	12	3, 594	3, 229	5, 132	529	458, 088	3, 525, 300	499, 790	174, 526	325, 264	. 35
1949	13	5, 184	4, 712	7, 355	2, 157	686, 687	5, 368, 600	718, 437	709, 191	9, 246	. 99
Texas:											
1948	13	2, 218	1, 295	1, 787	904	151, 849	1, 808, 200	341, 512	560, 283	—218, 771	1. 64
1949	12	2, 538	1, 986	2, 552	797	420, 476	2, 786, 200	353, 484	445, 215	—91, 731	1. 26
Utah:											
1948	2	475	373	533	55	50, 755	859, 600	56, 359	24, 413	31, 946	. 43
1949	1	167	150	179	16	30, 579	380, 800	19, 919	16, 819	3, 100	. 84
Washington:											
1948	7	907	777	1, 944	48	545, 089	9, 079, 200	372, 004	41, 564	330, 440	. 11
1949	7	914	834	1, 651	238	542, 680	8, 174, 200	327, 520	606, 064	—278, 544	1. 85
Wyoming:											
1948	1	111	89	208	16	18, 771	228, 200	43, 470	11, 948	31, 522	. 27
1949	1	105	95	207	4	24, 927	304, 000	43, 571	2, 246	41, 325	. 05
Indemnities payable: [3]											
1948					1				362	—362	
1949					11				9, 589	—9, 589	
Hedging operations:											
1948									25, 938	—25, 938	
1949								231, 981		231, 981	
Totals:											
1948	200	84, 990	64, 693	96, 170	10, 040	6, 514, 839	84, 555, 300	8, 582, 984	5, 009, 031	3, 573, 953	. 58
1949	199	58, 881	52, 456	78, 245	17, 832	7, 759, 861	82, 897, 300	7, 718, 446	11, 320, 047	—3, 601, 601	1. 47

[1] The number of contracts on which a premium was earned it less than the number of contracts in force because farmers in some years do not plant any acreage of wheat. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

[2] Based on the coverage for harvested acreage. Partly estimated.

[3] Estimated.

In recent years the provisions of the wheat program have become stabilized so the 1950 program is essentially a continuation of the 1949 program, expanded to 84 additional countries. The location and distribution of these 283 counties for 1950 are shown in figure 2. Premiums on the 1950 wheat insurance will amount to approximately 8.6 million dollars; and although the wheat harvest is not completed it appears that indemnities will be less than premiums despite the drought and insect damage in the southern area of the Great Plains

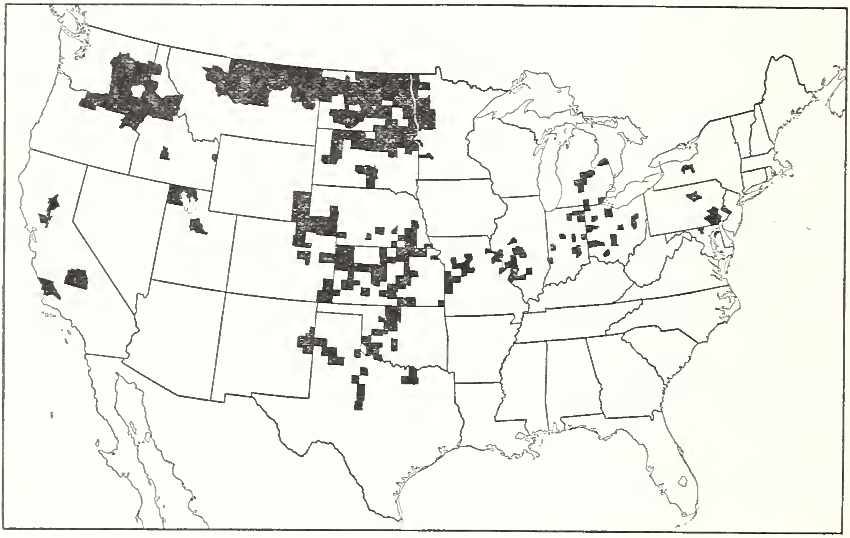

Figure 2.—Location and area of 1950 wheat insurance counties.

which resulted in heavy abandonment of acreage and the severe and prolonged winter in the spring wheat area which delayed seeding 3 to 4 weeks.

Plans were made in the fiscal year 1950 for writing 1951 insurance on wheat in the 283 counties with 1950 programs and in a maximum of 100 additional counties. Also, indications are that between 85–90 percent of the insurance in the 283 old counties will be carried over from 1950 to 1951.

The 1951 wheat program will be operating in about two-thirds of the counties in which wheat predominates as a source of farm income. Although wheat is produced in more than 2,000 counties, it predominates in only about 600. The remaining wheat-producing counties are rather highly diversified and are perhaps better suited for the multiple-crop insurance program than for the wheat program.

Flax insurance

Insurance has been available on flax for the past 5 years and 1949 was the fourth year in the 5-year period that this program has operated with a premium surplus. For 1949 there were 19,267 flax producers insured in the 48 counties where the program operated. The Corporation's liability on flax was 7.8 million dollars and premiums on this business amounted to 884 thousand dollars. Indemnities paid to farmers for crop losses amounted to 543 thousand dollars, or 61 percent of the premiums.

Even though the number of 1949 insured flax farmers is greater than 1948, the premiums decreased materially in 1949 from the previous year. This was the result of the substantially lower 1949 flax price, which averaged about $3.70 per bushel as compared with $6.00

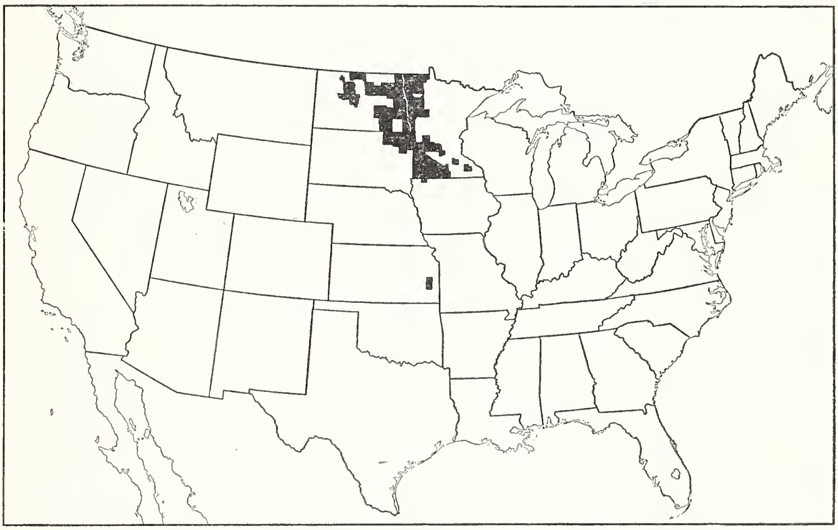

FIGURE 3.—Location and area of 1950 flax insurance counties.

the previous year. Details of the 1949 flax insurance experience are shown in table 3, by States, with comparisons for 1948.

As with wheat, the 1950 flax program is basically the same as in 1949 except for the expansion to additional counties in accordance with legislation. The location and distribution of the 63 counties in which the 1950 program is operating are shown in figure 3. The 1950 premiums will amount to approximately one-half million dollars. The amount of 1950 losses cannot be estimated accurately at this time.

After the flax program is further expanded for 1951 it will be operating in most of the major flax-producing counties. Although there are about 400 counties producing some flax, the price decrease mentioned above resulted in a substantial decrease in flax acreage for 1950 and most of the present acreage is concentrated in about 100 counties.

TABLE 3.—*Flax crop insurance experience, by States, 1948–49*

(As of June 30, 1950)

State and crop year	Counties with insurance program	Contracts in force [1]	Crop planted and premium earned								
			Contracts [1]	Farms [1]	Indemnities	Insured acreage	Maximum liability [2]	Premiums	Indemnities	Surplus or deficit	Loss ratio
	Number	*Number*	*Number*	*Number*	*Number*	*Acres*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	
Iowa:											
1948	1	88	71	75	3	2, 039	60, 222	7, 010	2, 722	4, 288	0. 39
1949	1	152	125	137	1	3, 721	68, 685	6, 506	26	6, 480	. 01
Kansas:											
1948	2	335	219	283	106	5, 207	69, 192	9, 805	12, 225	−2, 420	1. 25
1949	2	522	187	224	44	3, 492	33, 122	4, 689	2, 748	1, 941	. 59
Minnesota:											
1948	24	10, 860	9, 261	11, 210	1, 535	454, 883	9, 479, 806	1, 021, 738	664, 487	357, 251	. 65
1949	24	11, 778	8, 185	9, 707	1, 692	351, 312	4, 741, 537	483, 158	374, 858	108, 300	. 78
Montana:											
1948	2	193	79	98	11	8, 555	71, 324	12, 268	4, 911	7, 357	. 40
1949	2	164	49	59	55	6, 020	41, 462	8, 716	28, 549	−19, 833	3. 28
North Dakota:											
1948	16	4, 147	3, 245	4, 063	239	214, 596	2, 899, 967	370, 737	96, 423	274, 314	. 26
1949	16	5, 005	3, 694	4, 637	368	228, 338	1, 996, 347	255, 324	60, 083	195, 241	. 24
South Dakota:											
1948	3	1, 159	1, 104	1, 528	38	68, 370	991, 331	125, 248	14, 328	110, 920	. 11
1949	3	1, 646	1, 514	2, 011	434	90, 560	902, 397	125, 124	75, 943	49, 181	. 61
Indemnities payable: 1949 [3]					6				615	−615	
Totals:											
1948	48	16, 782	13, 979	17, 257	1, 932	753, 650	13, 571, 842	1, 546, 806	795, 096	751, 710	. 51
1949	48	19, 267	13, 754	16, 775	2, 600	683, 443	7, 783, 550	883, 517	542, 822	340, 695	. 61

[1] The number of contracts on which a premium was earned is less than the number of contracts in force because farmers in some years do not plant any acreage of flax. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

[2] Based on the coverage for harvested acreage.

[3] Estimated.

Cotton Insurance

The crop year 1949 is the seventh year of insurance on cotton and is the last year for which experience is available. The cotton insurance program got off to a bad start and in this program there have been more and broader changes than in any other. These changes substantially improved the soundness of the program but it is being watched very carefully to see if further improvements will be necessary to put this program on a sound basis. The operating results during the last few years have reflected these improvements and are approximately in line with what should be expected under the crop conditions which have prevailed in the insurance counties. In early years farmer participation in the cotton insurance program was relatively low compared to other commodities but the 1949 participation improved over earlier years and the 1950 participation shows a substantial increase.

For 1949 there were 26,667 farmers insured in the 52 counties where the program operated. The Corporation's liability on these farmers amounted to nearly 27 million dollars and indemnities totalling 3.1 million dollars were paid to those who sustained crop losses. These indemnities exceeded the premium income by about 2 to 1. This experience may appear at first to be a continuation of the abovementioned heavy loss experience of earlier years, but this was not the case. The 1949 experience was to be expected under the crop conditions which prevailed in the Cotton Belt and the insurance counties. Although the 1949 National cotton production was high, this was mainly due to the increase of 5.3 million acres above the 10-year average acreage and to the unusually good crop in the western part of the Cotton Belt. In the central and eastern parts of the Belt there were widespread areas where the 1949 yield ranged from 40 percent below normal to a yield which did not justify harvesting in many fields. Details of the 1949 insurance experience are shown in table 4, by States, with the 1948 experience shown for comparison.

As in other programs, the 1950 cotton insurance program is mainly a continuation of the 1949 program with an expansion from 52 counties to a total of 80 for 1950. The location and distribution of these counties are shown in figure 4. There is an average of about 800 cotton farmers per county insured under this program for 1950, as compared with 500 per county the previous year. The total 1950 premium will approximate 1.9 million dollars but it is not possible at this time to forecast the amount of 1950 indemnities that will be paid since most of them are paid about the end of the harvest season when the amount of production can be determined. However, 1950 is the second consecutive year in which the condition of the cotton crop is poor and it is expect that indemnities will again exceed premiums.

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TABLE 4.—*Cotton crop insurance experience, by States, 1948–49*

(As of June 30, 1950)

State and crop year	Counties with insurance program	Contracts in force [1]	Crop planted and premium earned								
			Contracts [1]	Farms [1]	Indemnities	Insured acreage	Maximum liability [2]	Premiums	Indemnities	Surplus or deficit	Loss ratio
	Number	*Number*	*Number*	*Number*	*Number*	*Acres*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	
Alabama:											
1948	6	2, 585	2, 339	2, 791	234	40, 773	1, 289, 699	61, 743	27, 426	34, 317	0. 44
1949	6	3, 470	3, 300	3, 378	1, 005	62, 139	2, 038, 451	82, 685	191, 131	−108, 446	2. 31
Arizona:											
1948	1	79	74	111	0	35, 404	1, 744, 173	81, 029	0	81, 029	. 00
1949	1	93	76	103	1	39, 416	1, 807, 947	76, 514	58	76, 456	. 01
Arkansas:											
1948	7	2, 584	2, 403	2, 998	293	74, 754	2, 106, 706	146, 654	73, 364	73, 290	. 50
1949	7	2, 816	2, 586	3, 375	1, 436	87, 925	2, 149, 838	135, 400	463, 462	−328, 062	3. 42
California:											
1948	1	147	129	148	17	13, 498	1, 006, 054	40, 327	24, 443	15, 884	. 61
1949	1	116	75	88	4	5, 827	495, 821	22, 318	3, 195	19, 123	. 14
Georgia:											
1948	4	1, 443	1, 395	1, 543	169	31, 445	1, 037, 082	57, 191	35, 376	21, 815	. 62
1949	4	1, 140	1, 033	1, 107	556	22, 965	756, 182	39, 954	175, 873	−135, 919	4. 40
Louisiana:											
1948	4	1, 089	987	1, 194	136	35, 515	1, 462, 460	129, 984	15, 704	114, 280	. 12
1949	4	1, 495	1, 252	1, 512	285	43, 047	1, 647, 685	131, 687	73, 408	58, 279	. 56
Mississippi:											
1948	8	3, 052	2, 877	3, 337	91	82, 984	3, 623, 659	242, 307	20, 697	221, 610	. 09
1949	8	6, 048	5, 627	6, 273	3, 177	138, 757	5, 424, 912	363, 175	1, 191, 126	−827, 951	3. 28

Missouri:											
1948	1	204	190	214	1	8, 329	76, 296	5, 999	73	5, 926	. 01
New Mexico:											
1948	1	203	200	270	14	17, 425	1, 250, 931	70, 826	17, 250	53, 576	. 24
1949	1	182	170	235	67	18, 230	1, 245, 517	70, 294	234, 578	—164, 284	3. 34
North Carolina:											
1948	2	1, 025	1, 005	1, 090	24	18, 035	691, 782	26, 998	3, 710	23, 288	. 14
1949	2	1, 699	1, 660	1, 933	313	30, 010	863, 807	31, 071	52, 257	—21, 186	1. 68
Oklahoma:											
1948	4	779	370	454	230	8, 999	187, 909	21, 701	53, 893	—32, 192	2. 48
1949	2	469	268	346	171	7, 349	181, 178	20, 987	30, 894	—9, 907	1. 47
South Carolina:											
1948	3	2, 391	2, 328	2, 744	374	46, 194	1, 941, 987	108, 811	68, 433	40, 378	. 63
1949	3	2, 622	2, 405	2, 657	1, 779	42, 054	1, 728, 611	85, 944	512, 503	—426, 559	5. 96
Tennessee:											
1948	2	569	519	679	88	8, 881	285, 517	22, 488	25, 129	—2, 641	1. 12
1949	2	788	730	952	118	12, 551	371, 748	27, 428	13, 772	13, 656	. 50
Texas:											
1948	9	3, 329	3, 224	4, 469	948	259, 506	5, 414, 794	395, 498	236, 881	158, 617	. 60
1949	11	5, 729	5, 547	7, 656	542	465, 993	8, 004, 830	496, 235	153, 623	342, 612	. 31
Indemnities payable: 1949 [3]					68				16, 743	—16, 743	
Totals:											
1948	53	19, 479	18, 040	22, 042	2, 619	681, 742	22, 119, 049	1, 411, 556	602, 379	809, 177	. 43
1949	52	26, 667	24, 729	29, 615	9, 522	976, 263	26, 716, 527	1, 583, 692	3, 112, 623	—1, 528, 931	1. 97

[1] The number of contracts on which a premium was earned is less than the number of contracts in force because farmers in some years do not plant any acreage of cotton. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

[2] Based on the coverage for harvested acreage.

[3] Estimated.

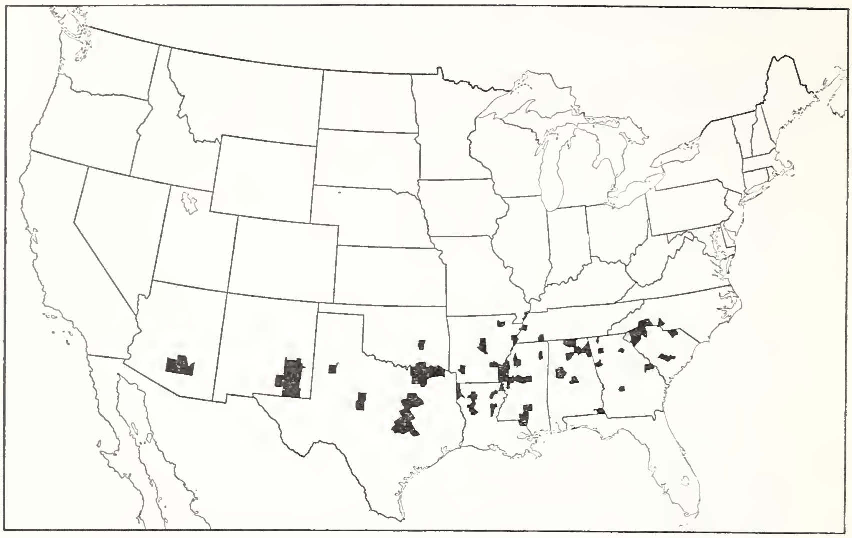

FIGURE 4.—Location and area of 1950 cotton insurance counties.

Tobacco Insurance

The 1949 crop year was the fifth year of tobacco crop insurance, which was started in 1945 in 13 counties and gradually expanded to 35 counties for 1949. Total premium income for the 1949 program was substantially greater than the indemnities paid to insured farmers for crop losses. Thus, 1949 was the fourth year during the 5-year period of tobacco insurance that premiums have exceeded indemnities. For the other year, 1947, losses and premiums were approximately equal.

In the 35 counties where the tobacco program operated in 1949 there were 35,026 farmers insured, on which the liability amounted to 22 million dollars. The premiums amounted to about 741 thousand

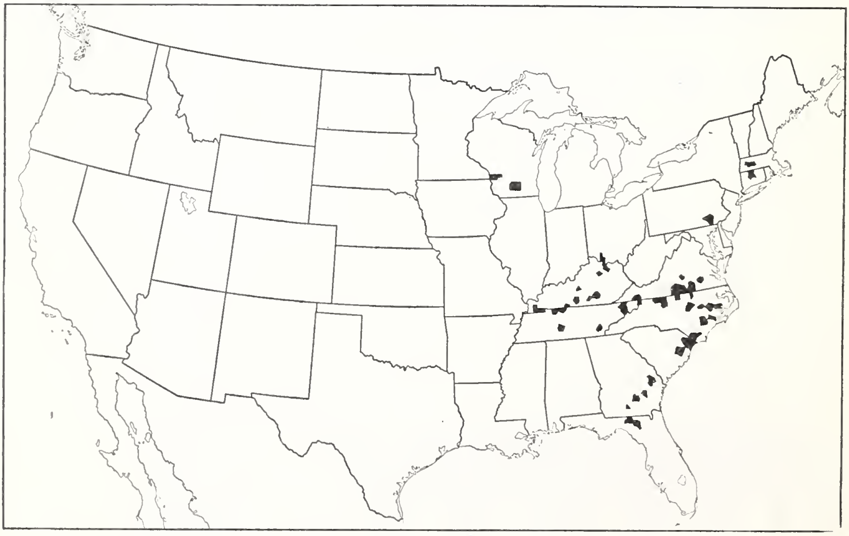

FIGURE 5.—Location and area of 1950 tobacco insurance counties.

dollars and indemnities paid farmers totaled 491 thousand dollars, or 66 percent of the premiums. Approximately half of these indemnities were in Connecticut, where hail and drought resulted in heavy damage, and in Tennessee where excessive rain was the principal cause of loss. The details of the 1949 underwriting experience are shown in table 5, by States, with the experience of 1948 for comparison.

For the 1950 crop year tobacco insurance was expanded to 17 additional counties, making a total of 52. The location and distribution of these counties are shown in figure 5. As in every prior year of insurance on tobacco, the 1950 program was well received by farmers, with nearly 72,000 farmers, an average of about 1,400 per county, availing themselves of this protection. The premium on this business will be approximately 1.5 million dollars and present indications are that 1950 will be another year with premiums exceeding indemnities.

Corn Insurance

The 1949 crop year was the fifth year of corn insurance which was started in 1945 in 15 counties and gradually expanded to 44 counties for 1949. Each year there has been a close correlation between the underwriting experience and the kind of crop produced in the counties where insurance was written. A premium reserve was accumulated for three of the five years and the combined experience for the 5-year period shows a small balance of premiums over indemnities.

In 1949 there were 19,607 farmers who insured their crops under the corn insurance program with a total liability of approximately 17 million dollars. Premiums amounted to about 587 thousand dollars and indemnities paid to farmers for crop losses totaled only about 95 thousand dollars, or 16 percent of the premiums. This substantial premium reserve is to be expected in a year such as 1949, when the crop condition was generally good over the entire corn area. Details of this experience are shown by States in table 6, with the 1948 experience also being shown for comparison.

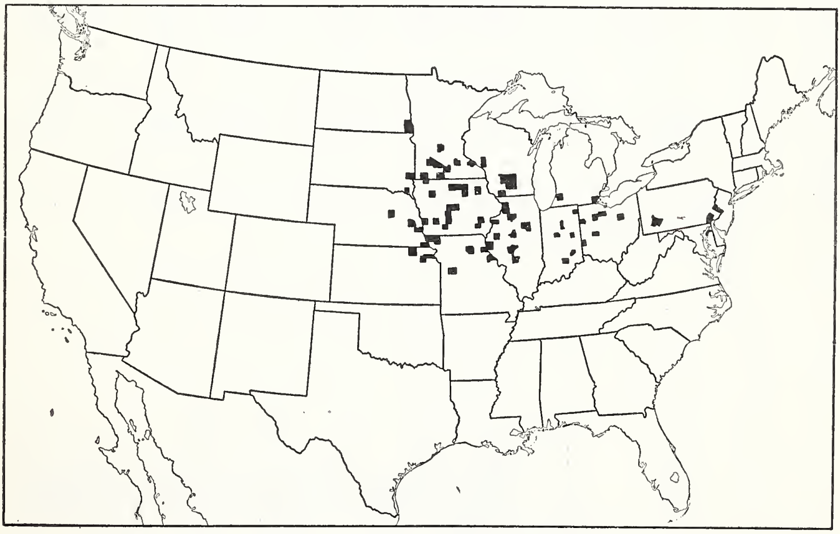

FIGURE 6.—Location and area of 1950 corn insurance counties.

TABLE 5.—*Tobacco crop insurance experience, by States, 1948–49*

(As of June 30, 1950)

State and crop year	Counties with insurance program	Contracts in force [1]	Crop planted and premium earned								
			Contracts [1]	Farms [1]	Indemnities	Insured acreage [2]	Maximum liability [3]	Premiums	Indemnities	Surplus or deficit	Loss ratio
	Number	*Number*	*Number*	*Number*	*Number*	*Acres*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	
Connecticut:											
1948	1	573	565	627	39	5, 161	1, 747, 948	87, 693	27, 571	60, 122	0. 31
1949	1	557	554	614	135	4, 723	1, 611, 300	77, 682	144, 169	−66, 487	1. 86
Florida:											
1948	1	860	765	895	53	2, 050	317, 060	10, 563	7, 244	3, 319	. 69
1949	1	613	589	690	70	1, 613	237, 000	7, 725	7, 087	638	. 92
Georgia:											
1948	2	1, 506	1, 437	1, 754	113	4, 619	750, 299	24, 118	18, 996	5, 122	. 79
1949	3	2, 534	2, 480	3, 132	227	8, 422	1, 370, 100	60, 093	36, 788	23, 305	. 61
Kentucky:											
1948	5	2, 774	2, 645	3, 115	249	7, 858	1, 292, 678	41, 294	19, 167	22, 127	. 46
1949	7	5, 968	5, 786	7, 360	902	16, 136	2, 362, 500	95, 602	67, 877	27, 725	. 71
Massachusetts:											
1948	1	259	257	271	6	1, 576	584, 552	29, 312	4, 062	25, 250	. 14
1949	1	289	287	310	24	1, 760	631, 100	30, 175	11, 998	18, 177	. 40
North Carolina:											
1948	7	7, 383	7, 332	10, 043	107	43, 355	6, 272, 194	173, 342	20, 426	152, 916	. 12
1949	7	8, 944	8, 892	12, 058	379	50, 172	7, 821, 100	217, 370	50, 610	166, 760	. 23
Ohio:											
1948	1	352	352	409	20	785	136, 975	5, 608	2, 453	3, 155	. 44
1949	1	472	462	554	24	1, 031	170, 600	7, 731	6, 022	1, 709	. 78
Pennsylvania:											
1948	1	1, 388	1, 369	1, 729	42	9, 128	1, 382 301	39, 671	9, 804	29, 867	. 25
1949	1	1, 320	1, 277	1, 549	51	8, 470	1, 245, 900	34, 435	5, 486	28, 949	. 16

South Carolina:											
1948	2	3, 143	3, 138	4, 261	17	14, 612	2, 313, 203	61, 878	1, 328	60, 550	. 02
1949	2	1, 428	1, 423	1, 900	21	6, 138	1, 090, 900	30, 803	3, 457	27, 346	. 11
Tennessee:											
1948	4	3, 470	3, 290	4, 156	323	8, 337	1, 269, 922	34, 627	22, 175	12, 452	. 64
1949	4	5, 430	5, 226	6, 366	1, 433	11, 983	1, 709, 100	53, 823	117, 813	−63, 990	2. 19
Virginia:											
1948	5	6, 485	6, 306	8, 836	54	23, 984	2, 993, 616	91, 087	4, 162	86, 925	. 05
1949	5	4, 975	4, 975	6, 771	260	18, 950	2, 456, 100	73, 072	28, 025	45, 047	. 38
Wisconsin:											
1948	2	3, 429	3, 373	3, 705	906	14, 734	2, 271, 862	56, 581	147, 269	−90, 688	2. 60
1949	2	2, 496	2, 470	2, 780	72	10, 812	1, 406, 200	52, 642	7, 224	45, 418	. 14
Indemnities payable: 1949 [4]					61				4, 416	−4, 416	
Totals:											
1948	32	31, 622	30, 829	39, 801	1, 929	136, 199	21, 332, 610	655, 774	284, 657	371, 117	. 43
1949	35	35, 026	34, 421	44, 084	3, 659	140, 210	22, 111, 900	741, 153	490, 972	250, 181	. 66

[1] The number of contracts on which a premium was earned is usually less than the number of contracts in force because farmers in some years do not plant any acreage of tobacco. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

[2] Tentative for 1949.

[3] Based on the coverage for harvested acreage. Estimated for 1949.

[4] Estimated.

TABLE 6.—*Corn crop insurance experience, by States, 1948–49*

(As of June 30, 1950)

State and crop year	Counties with insurance program	Contracts in force [1]	Crop planted and premium earned								
			Contracts [1]	Farms [1]	Indemnities	Insured acreage	Maximum liability [2]	Premiums	Indemnities	Surplus or deficit	Loss ratio
	Number	*Number*	*Number*	*Number*	*Number*	*Acres*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	
Illinois:											
1948	5	1, 480	1, 479	1, 762	22	92, 140	1, 510, 612	47, 740	14, 126	33, 614	0. 30
1949	6	2, 051	2, 047	2, 521	26	129, 282	2, 193, 197	77, 806	5, 106	72, 700	. 07
Indiana:											
1948	3	668	662	791	6	21, 051	410, 673	12, 627	1, 040	11, 587	. 08
1949	4	1, 294	1, 288	1, 599	58	49, 846	1, 014, 246	31, 914	10, 672	21, 242	. 33
Iowa:											
1948	7	3, 908	3, 906	4, 634	38	259, 960	3, 909, 784	115, 010	24, 372	90, 638	. 21
1949	9	5, 518	5, 508	6, 693	30	369, 088	5, 570, 283	161, 095	4, 694	156, 401	. 03
Kansas:											
1948	2	521	518	624	1	23, 052	149, 001	11, 868	25	11, 843	. 01
1949	2	591	582	775	67	26, 951	203, 403	14, 063	7, 860	6, 203	. 56
Maryland:											
1948	1	230	230	260	7	11, 510	148, 151	3, 609	1, 257	2, 352	. 35
1949	1	373	368	396	3	15, 621	217, 998	5, 359	285	5, 074	. 05
Michigan:											
1948	2	798	798	873	94	15, 225	281, 542	19, 890	11, 805	8, 085	. 59
1949	1	323	320	379	17	7, 390	145, 398	4, 247	1, 811	2, 436	. 43
Minnesota:											
1948	3	1, 814	1, 814	2, 144	4	106, 800	1, 467, 562	44, 983	809	44, 174	. 02
1949	4	2, 914	2, 906	3, 459	29	172, 752	2, 740, 580	84, 884	5, 331	79, 553	. 06
Missouri:											
1948	3	867	861	1, 039	7	35, 988	426, 520	32, 174	939	31, 235	. 03
1949	4	1, 145	1, 124	1, 460	83	45, 726	574, 232	33, 671	10, 313	23, 358	. 31

Nebraska:											
1948	2	720	720	914	1	50, 199	736, 151	53, 993	1	53, 992	. 01
1949	3	861	852	1, 163	87	75, 781	805, 374	57, 889	25, 208	32, 681	. 44
Ohio:											
1948	3	735	735	780	4	22, 516	497, 057	15, 867	588	15, 279	. 04
1949	4	1, 955	1, 942	2, 422	58	68, 729	1, 467, 041	44, 315	8, 135	36, 180	. 18
Pennsylvania:											
1948	1	475	474	490	7	9, 642	285, 903	5, 899	777	5, 122	. 13
1949	1	446	434	445	7	8, 489	255, 258	4, 920	537	4, 383	. 11
South Dakota:											
1948	2	917	917	1, 142	0	71, 408	758, 779	45, 384	0	45, 384	. 00
1949	2	864	861	1, 096	30	70, 990	763, 263	40, 286	9, 111	31, 175	. 23
Wisconsin:											
1948	2	1, 008	1, 005	1, 067	119	32, 987	584, 379	26, 205	18, 659	7, 546	. 71
1949	3	1, 272	1, 266	1, 359	50	38, 691	721, 326	26, 493	5, 380	21, 113	. 20
Indemnities payable: 1949 [3]					2				238	−238	
Totals:											
1948	36	14, 141	14, 119	16, 520	310	752, 478	11, 166, 114	435, 249	74, 398	360, 851	. 17
1949	44	19, 607	19, 498	23, 767	547	1,079,336	16, 671, 599	586, 942	94, 681	492, 261	. 16

[1] The number of contracts on which a premium was earned is usually less than the number of contracts in force because farmers in some years do not plant any acreage of corn. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

[2] Based on the coverage for harvested acreage.

[3] Estimated.

For 1950, the corn insurance program was expanded to an additional 29 counties. This makes a total of 73 counties (see fig. 6) where this program is operating. In these counties over 32,000 farmers have availed themselves of insurance protection on their corn crop. Premiums will amount to approximately 800 thousand dollars, but the amount of indemnities cannot be estimated at this time because, with a late maturing crop, they are dependent to a large extent upon how early frost occurs.

Dry Edible Bean Insurance

The 1949 crop year was the second year of bean insurance and is the last year for which experience can be given. This program was started in 1948 in 4 counties and was expanded to a total of 9 counties for 1949. In both years the acceptance of the program by bean growers was good and the program operated satisfactorily.

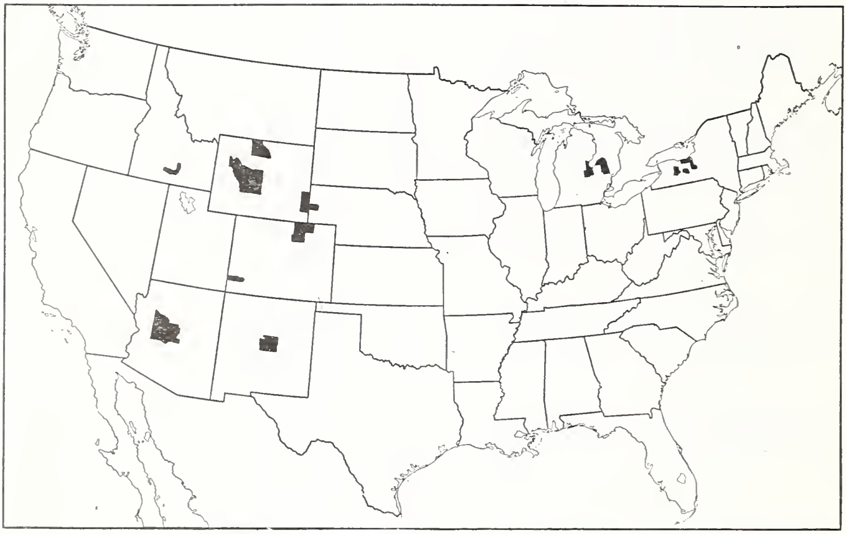

FIGURE 7.—Location and area of 1950 bean insurance counties.

For 1949, 2,909 bean farmers were insured, with a liability of 1.7 million dollars. Premiums totaled 95 thousand dollars and indemnities paid to farmers for crop losses amounted to 62 thousand dollars, or 65 percent of the premiums. Losses were relatively light in most areas except in Colorado, where hail caused heavy losses, and New York, where losses were due to excessive rains. Details of the 1949 experience are shown in table 7, by States, with the 1948 experience also included for comparison.

The 1950 program was extended from 9 to 18 counties. The location and distribution of these counties are shown in figure 7. Beans are produced in only a few major areas of the Nation but they are of considerable importance in the areas where produced. All of these areas except one are represented in the 1950 program.

TABLE 7.—*Dry edible bean crop insurance experience, by States, 1948–49*

(As of June 30, 1950)

State and crop year	Counties with insurance program	Contracts in force [1]	Crop planted and premium earned								
			Contracts [1]	Farms [1]	Indemnities	Insured acreage	Maximum liability [2]	Premiums	Indemnities	Surplus or deficit	Loss ratio
	Number	*Number*	*Number*	*Number*	*Number*	*Acres*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	
Colorado:											
1948	1	114	109	125	48	6, 918	44, 354	5, 690	6, 622	−932	1. 16
1949	1	111	97	109	56	3, 968	26, 784	3, 095	5, 224	−2, 129	1. 69
Idaho:											
1948	1	213	209	228	1	6, 203	218, 944	7, 717	115	7, 602	. 01
1949	1	202	195	224	0	4, 708	178, 791	5, 643	0	5, 643	. 00
Michigan:											
1948	1	766	760	869	24	19, 256	324, 078	12, 996	2, 451	10, 545	. 19
1949	2	1, 315	1, 273	1, 458	90	30, 126	535, 007	21, 496	13, 653	7, 843	. 64
New Mexico: 1949	1	258	236	312	67	36, 995	239, 447	27, 101	21, 371	5, 730	. 79
New York:											
1948	1	351	345	355	3	5, 128	148, 689	5, 993	150	5, 843	. 03
1949	2	472	427	446	65	7, 130	168, 098	7, 151	11, 277	−4, 126	1. 58
Wyoming: 1949	2	551	536	640	45	19, 634	589, 143	30, 664	9, 627	21, 037	. 31
Indemnities payable: 1949 [3]					1				800	−800	
Totals:											
1948	4	1, 444	1, 423	1, 577	76	37, 505	754, 065	32, 396	9, 338	23, 058	. 29
1949	9	2, 909	2, 764	3, 189	324	102, 561	1, 737, 270	95, 150	61, 952	33, 198	. 65

[1] The number of contracts on which a premium was earned is usually less than the number of contracts in force because farmers in some years do not plant any acreage of beans. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

[2] Based on the coverage for harvested acreage.

[3] Estimated.

Multiple-Crop Insurance

Multiple-crop insurance was started in 1948 in 2 counties, expanded to 7 counties in 1949 and to 55 counties in 1950. The comprehensive nature of this program and its possibilities for more extensive use in future years were discussed earlier in this report. In general, the most important crops produced by a farmer are insured under one policy. The policyholder is provided one monetary amount of protection on all his insured crops and a loss is paid when the value of the total production from all these crops is less than his protection.

Since the loss on one or more crops may be offset by production from the other insured crops, it is expected that losses will be relatively light when crop conditions are average or better, and that premium reserves will be built up in such years against some future year of catastrophic crop failures. This relationship is borne out by the experience of the past 2 years, when crop conditions were average in

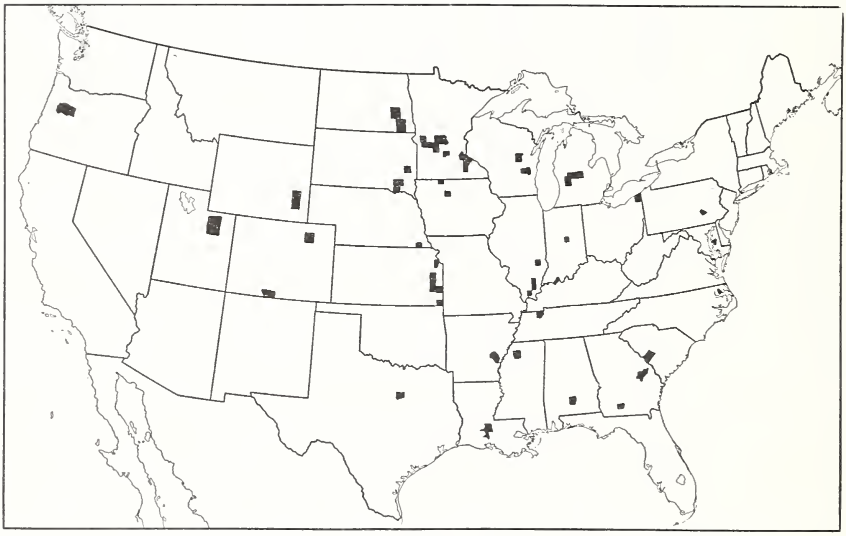

FIGURE 8.—Location and area of 1950 multiple-crop insurance counties.

the multiple-crop counties and the losses paid farmers were negligible. For 1948 the losses amounted to only 6 percent of the premiums and for 1949 to 16 percent. In the 7 counties where the program operated in 1949 there were 2,722 farmers insured, on which the liability amounted to about 4 million dollars and the premiums to approximately 137 thousand dollars. Indemnities totaled only 22 thousand dollars. The details of this experience are shown in table 8.

The very nature of multiple-crop insurance has a healthy significance. Generally, it is agreed that the most desirable system of agriculture is one in which the economy is not dependent on an individual commodity but on a proper balance between a number of crops. This type of insurance, which recognizes such diversification, has been received by farmers with increasing interest. Based on this reception and the good experience in 1948 and 1949 the program has been expanded from 7 counties to 55 for 1950, the location and distribution of which are shown in figure 8. There has been considerable demand from many other counties for this type of program.

TABLE 8.—*Multiple crop insurance experience, by States, 1948–49*

(As of June 30, 1950)

State and crop year	Counties with insurance program	Contracts in force [1]	Crop planted and premium earned: Contracts [1]	Farms [1]	Indemnities	Insured acreage	Maximum liability [2]	Premiums	Indemnities	Surplus or deficit	Loss ratio
	Number	*Number*	*Number*	*Number*	*Number*	*Acres*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	
Michigan:											
1948	1	255	240	336	8	15, 812	222, 389	7, 111	1, 023	6, 088	0. 14
1949	1	217	216	258	7	7, 821	121, 786	3, 166	187	2, 979	. 06
Minnesota:											
1948	1	459	459	488	3	29, 804	364, 590	16, 655	364	16, 291	. 02
1949	3	1, 677	1, 676	1, 852	20	232, 315	3, 003, 937	90, 062	5, 287	84, 775	. 06
North Carolina: 1949	1	214	212	275	51	13, 833	182, 931	6, 049	7, 302	−1, 253	1. 21
South Dakota: 1949	1	332	332	358	32	66, 942	524, 999	31, 657	9, 323	22, 334	. 29
Wisconsin: 1949	1	282	281	286	0	15, 677	265, 889	5, 744	0	5, 744	. 00
Indemnities payable: 1949 [3]					1				50	−50	
Totals:											
1948	2	714	699	824	11	45, 616	586, 979	23, 766	1, 387	22, 379	. 06
1949	7	2, 722	2, 717	3, 029	111	336, 588	4, 099, 542	136, 678	22, 149	114, 529	. 16

[1] The number of contracts on which a premium was earned is usually less than the number of contracts in force because farmers in some years do not plant any acreage of the insurable commodities. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

[2] Based on coverage for harvested acreage.

[3] Estimated.

COMMENTS ON FINANCIAL STATEMENTS

The financial condition of the Corporation as of June 30, 1950, and June 30, 1949, is presented in the comparative balance sheet following these comments (exhibit A, p. 41). Other financial statements consist of an analysis of insurance reserves for the crop years 1948 and 1949 (exhibit A–1, p. 42), a comparative statement of insurance operations for the crop years 1949 and 1948 (exhibit B, p. 42), and a comparative statement of administrative and operating expenses for the 1950 and 1949 fiscal years (exhibit C, p. 43). The balance sheet does not include administrative funds, which are appropriated on an annual basis to cover administrative and operating expenses, nor does it reflect furniture and equipment purchases from such funds.

The financial statements do not reflect transactions relating to premium income and indemnities on the 1950 crops for insurance in force on June 30, 1950, except for insurance premiums paid prior to maturity dates of premium notes, and early wheat insurance premiums billed and recorded prior to June 30, 1950, less a few approved indemnity claims covering early losses on the 1950 crop. Such items are classified in the balance sheet as "Deferred Credits" and "Deferred Income," as of the close of the fiscal year, and are not taken up in the operating accounts until after June 30, 1950.

As mentioned earlier, premium notes are executed by insured producers with the signing of applications for insurance and they mature about the time the respective crops are harvested. The insurance premiums cannot be determined, however, until after reports of the acreage planted on each insured farm have been obtained. If not paid earlier, the premiums are billed and recorded immediately following the maturity dates of the notes. An amendment to the Federal Crop Insurance Act, approved August 25, 1949, authorizes gradual expansion of insurance operations, commencing with crops planted for harvest in 1950. It is estimated that insurance premiums under the expanded program will approximate 15 million dollars on 1950 insured crops. Substantially all indemnity losses on the 1950 insured crops will be determined and paid subsequent to June 30, 1950.

Comparative Balance Sheet

(Exhibit A, p. 41)

Cash

Cash amounting to $31,593,343.74 was on deposit with the Treasurer of the United States and the Federal Reserve Bank of Chicago as of June 30, 1950. Receipts and disbursements are handled by the Chicago Branch Office of the Corporation through the accounts of the Regional Disbursing Officer of the Treasury Department, the Federal Reserve Bank of Chicago being the depositary. Deposits are recorded in a cash clearing account in the branch office until acknowledgment by the regional disbursing office. Receipts and disbursements handled by the Corporation's Washington Office are processed through

the accounts of the Chief Disbursing Officer of the Treasury Department, Washington, D. C. Treasury Department facilities are utilized in making deposits and disbursements.

Accounts Receivable

Unpaid accounts due from insured producers, amounting to \$4,829,191.20, as of June 30, 1950, consist chiefly of amounts due on crop insurance premium notes. This amount includes also unpaid interest due on 1945–1949 crop year premium notes paid in full except for accrued interest; overpayments of indemnities to insured producers; and credit items representing overpayments by insured producers, which are to be refunded. Unpaid accounts and premium collection activities for the 1950 fiscal year are summarized as follows:

Balance June 30, 1949, for 1947 and prior crop years	\$3, 507, 893. 87	
Collections, adjustments, etc	795, 118. 61	
		\$2, 712, 775. 26
Balance June 30, 1949, for 1948 crop year	833, 837. 93	
Collections, adjustments, etc	492, 785. 35	
		341, 052. 58
1949 crop year premium	11, 513, 596. 42	
Collections	10, 875, 680. 98	
		637, 915. 44
1950 crop year premiums recorded	2, 090, 556. 64	
Collections	953, 108. 72	
		1, 137, 447. 92
Balance June 30, 1950		4, 829, 191. 20

Collections, adjustments, etc., applicable to the 1948 and prior crop years amounted to \$1,287,903.96, which is 29.7 percent of the unpaid balances as of June 30, 1949. The unpaid balances for these years at June 30, 1950, amounting to \$3,053,827.84 represents 2.4 percent of the earned premiums.

The decrease in accounts receivable during the year is attributed to the continued aggressive collection policy followed by the Corporation. Positive action was taken throughout the year to collect outstanding premiums, including the institution of legal proceedings wherever necessary.

The reserve for uncollectible accounts amounting to \$1,978,920.26 represents the balance of reserve provisions established as applicable to unpaid balances of premiums on insurance contracts for crop years 1942 through 1949. The increase of \$7,027.80 in the reserve during the year consists of a provision of \$57,600.00 for 1949 crop year accounts, less charges of \$50,572.20 for accounts determined to be uncollectible and written off during fiscal year 1950.

Accounts Payable

Indemnities payable amounting to \$1,431,060.00 represent the estimated liability as of June 30, 1950, to insured producers for loss claims under 1948 and 1949 crop insurance contracts that have not been presented to the Corporation for payment. The following

summary reflects the distribution of the liability for unpaid losses by commodities:

Wheat	$1, 408, 198. 00
Cotton	16, 743. 00
Flax	615. 00
Corn	238. 00
Tobacco	4, 416. 00
Beans	800. 00
Multiple crop	50. 00
Total	1, 431, 060. 00

The increase of $1,243,025.94 in estimated indemnities payable represents the net increase in the Corporation's liability during fiscal year 1950.

Returned checks unclaimed—canceled amounting to $4,003.98 consist of amounts due insured producers, for which checks issued in payment could not, for various reasons, be delivered to or negotiated by the payees. Such checks were returned to the Corporation and canceled pending reissuance and delivery of substitute checks to proper payees.

Deferred Credits

The balance of unapplied premium receipts amounting to $3,487.97 consists of insurance premium receipts which could not be immediately identified and are included in this account until proper application can be made.

Advance premium payments amounting to $1,634,195.64, as of June 30, 1950, constitute premiums collected before maturity on 1950 crop year contracts. The increase of $278,750.00 represents the net increase in premiums collected prior to maturity for crop year 1950, as compared with crop year 1949.

Deferred Income

Deferred income consists of early 1950 crop year wheat premiums recorded prior to June 30, 1950, less approved indemnity claims for the 1950 crop year as follows:

Premiums recorded (less cash discounts)	$2, 050, 919. 09
Less: Approved indemnity claims	185, 963. 85
Net amount	1, 864, 955. 24

The increase of $352,499.07 in deferred income represents the net increase in this item for crop year 1950 over the preceding year.

Reserves

The reserve for surety losses, amounting to $25,000.00, constitutes a continuing provision for past and future unrecoverable money or property loss due to fire, theft, and other unavoidable causes. This provision for self-insurance has been much more economical than the

cost of premiums for employee surety bond protection furnished by private surety companies. Losses amounting to $236.00 were charged to the reserve during the 1950 fiscal year and that amount was restored to the reserve prior to the close of the year.

The reserve for contingencies amounting to $454,437.45 was established during the fiscal years 1949 and 1950 as a reserve against which unpaid losses and adjustments for the 1947 and prior crop years are to be charged. No losses or adjustments were charged to this reserve in the 1949 fiscal year. The balance at June 30, 1950, is composed of the following:

Balance as of June 30, 1949		$300, 000. 00
Addition during the fiscal year 1950 for losses applicable to the 1947 and prior crop years		154, 437. 45
Total		454, 437. 45
Deduct—Charges for losses and adjustments recorded during the fiscal year 1950, applicable to the 1947 and prior crop years as follows:		
Premium adjustments, net	$30, 091. 29	
Indemnity payments and adjustments, net	59, 500. 25	
		89, 591. 54
Balance June 30, 1950		364, 845. 91

Capital

Capital stock was outstanding in the amount of $27,000,000 as of June 30, 1950. The $100,000,000 capital stock authorized in the Enabling Act had been subscribed by the Secretary of the Treasury and requisitioned by the Corporation and was outstanding on June 30, 1949.

Legislation approved August 25, 1949, authorized and directed the Secretary of the Treasury to cancel, without consideration, outstanding receipts held as evidence of payments for or on account of the capital stock of the Corporation in excess of $27,000,000. Accordingly, the Secretary of the Treasury canceled, effective August 25, 1949, outstanding receipts for payments on account of the stock of the Corporation totaling $73,000,000.

In compliance with the law, the Corporation, on September 30, 1949, recorded the cancellation of capital stock receipts in the total amount of $73,000,000, thereby reducing the outstanding capital stock of the Corporation from $100,000,000 to $27,000,000. The $73,000,000 credit arising from the cancellation was applied to eliminate the accumulated deficit for the 1939–1947 crop years.

Insurance reserves amounting to $2,115,626.03, represent the excess of premiums and other income over losses for crop years 1948 and 1949, as reflected in the Analysis of Insurance Reserves (exhibit A–1, p. 42). The decrease in insurance reserves of $3,668,085.32 reflects the net reduction in such reserves during fiscal year 1950.

The accumulated deficit for 1947 and prior crop years established as of June 30, 1949, was eliminated in 1950 by application of the credit arising from the cancellation of capital stock receipts.

Analysis of Insurance Reserves

(Exhibit A-1, p. 42)

Exhibit A-1 reflects an analysis of insurance reserves of the Corporation by commodities for the 1948 and 1949 crop years. Premiums amounting to $24,434,109.44 (including $231,981.25 gain from hedging operations in wheat), less indemnities of $22,421,531.72 (including $25,937.50 loss from hedging operations in wheat), resulted in a surplus of $2,012,577.72 for the two years for all insured commodities, or a loss ratio of .92. After adding other net income of $103,048.31, composed principally of interest and storage, less provision for uncollectible accounts, the insurance reserves for the crop years 1948 and 1949 amounted to $2,115,626.03.

Comparative Statement of Insurance Operations

(Exhibit B, p. 42)

Exhibit B sets forth a statement of insurance operations by commodities as of June 30, 1950, for crop year 1949 and comparison with crop year 1948. This statement shows for the 1949 crop year premium income of $11,745,577.67 and indemnities amounting to $15,645,245.48, and after taking into consideration other items of income and expense, results in a net deficit of $3,733,119.50 for that crop year.

Administrative and Operating Expenses

(Exhibit C, p. 43)

Exhibit C reflects a comparison of administrative and operating expenses for the 1950 and 1949 fiscal years. The expenses for both fiscal years include costs incident to the liquidation of 1947 and prior crop year accounts. The increase in total expenses, amounting to $892,093.93 for the fiscal year 1950, as compared with that for fiscal year 1949 reflects increased cost of administration incident to the gradual expansion of the insurance programs commencing with crops planted for harvest in 1950, as provided in legislation approved August 25, 1949.

Exhibit A

Comparative balance sheet as of June 30, 1950, and June 30, 1949

ASSETS

	June 30, 1950	*June 30, 1949*	*Increase or decrease (—)*
Cash	$31, 593, 343. 74	$33, 122, 721. 98	—$1, 529, 378. 24
Accounts receivable:			
Insured producers	4, 829, 191. 20	5, 312, 361. 65	—483, 170. 45
Less: Reserve for uncollectible accounts	1, 978, 920. 26	1, 971, 892. 46	7, 027. 80
Net amount	2, 850, 270. 94	3, 340, 469. 19	—490, 198. 25
Other	162. 78	168. 56	—5. 78
Total accounts receivable	2, 850, 433. 72	3, 340, 637. 75	—490, 204. 03
Total assets	34, 443, 777. 46	36, 463, 359. 73	—2, 019, 582. 27

LIABILITIES AND CAPITAL

	June 30, 1950	*June 30, 1949*	*Increase or decrease (—)*
Accounts payable:			
Indemnities payable—estimated	$1, 431, 060. 00	$188, 034. 06	$1, 243, 025. 94
Returned checks unclaimed—canceled	4, 003. 98	5, 484. 62	—1, 480. 64
Due administrative funds	602. 69	153, 393. 21	—152, 790. 52
Total accounts payable	1, 435, 666. 67	346, 911. 89	1, 088, 754. 78
Deferred credits:			
Unapplied premium receipts	3, 487. 97	5, 544. 04	—2, 056. 07
Advance premium payments	1, 634, 195. 64	1, 355, 445. 64	278, 750. 00
Total deferred credits	1, 637, 683. 61	1, 360, 989. 68	276, 693. 93
Deferred income:			
1950 crop year premiums (less approved indemnity claims)	1, 864, 955. 24	1, 512, 456. 17	352, 499. 07
Reserves:			
For surety losses	25, 000. 00	25, 000. 00	
For contingencies	364, 845. 91	300, 000. 00	64, 845. 91
Total reserves	389, 845. 91	325, 000. 00	64, 845. 91
Total liabilities	5, 328, 151. 43	3, 545, 357. 74	1, 782, 793. 69
Capital:			
Capital stock authorized	100, 000, 000. 00	100, 000, 000. 00	
Less: Unissued stock	73, 000, 000. 00		73, 000, 000. 00
Capital stock outstanding	27, 000, 000. 00	100, 000, 000. 00	—73, 000, 000. 00
Insurance reserves:			
Wheat	—27, 647. 79	3, 545, 120. 16	—3, 572, 767. 95
Cotton	—719, 753. 96	801, 607. 13	—1, 521, 361. 09
Flax	1, 092, 405. 39	752, 217. 52	340, 187. 87
Corn	853, 111. 40	359, 478. 19	493, 633. 21
Tobacco	621, 298. 12	343, 093. 13	278, 204. 99
Beans	56, 256. 04	23, 109. 13	33, 146. 91
Multiple crop	136, 908. 52	22, 586. 09	114, 322. 43
Undistributed	103, 048. 31	—63, 500. 00	166, 548. 31
Total insurance reserves (exhibit A-1)	2, 115, 626. 03	5, 783, 711. 35	—3, 668, 085. 32
Deficit for 1947 and prior crop years		72, 865, 709. 36	—72, 865, 709. 36
Total capital	29, 115, 626. 03	32, 918, 001. 99	—3, 802, 375. 96
Total liabilities and capital	34, 443, 777. 46	36, 463, 359. 73	—2, 019, 582. 27

Exhibit A-1

Analysis of insurance reserves for crop years 1948 and 1949

Commodity	Premiums	Indemnities	Surplus or deficit (−)	Loss ratio
Wheat	[1]$16,301,430.20	[2]$16,329,077.99	−$27,647.79	1.00
Cotton	2,995,247.96	3,715,001.92	−719,753.96	1.24
Flax	2,430,323.24	1,337,917.85	1,092,405.39	.55
Corn	1,022,190.44	169,079.04	853,111.40	.17
Tobacco	1,396,926.89	775,628.77	621,298.12	.56
Beans	127,546.54	71,290.50	56,256.04	.56
Multiple crop	160,444.17	23,535.65	136,908.52	.15
Total	24,434,109.44	22,421,531.72	2,012,577.72	.92
Other income and expense, net			103,048.31	
Total insurance reserves (exhibit A)			2,115,626.03	

[1] Includes gain from hedging operations, amounting to $231,981.25.
[2] Includes loss from hedging operations, amounting to $25,937.50.

Exhibit B

Comparative statement of insurance operations for crop years 1949 and 1948 as of June 30, 1950

Item	Crop year		Increase or decrease (−)
	1949	1948	
Premiums:			
Wheat	[1] $7,718,445.95	$8,582,984.25	−$864,538.30
Cotton	1,583,691.83	1,411,556.13	172,135.70
Flax	883,516.77	1,546,806.47	−663,289.70
Corn	586,941.59	435,248.85	151,692.74
Tobacco	741,153.09	655,773.80	85,379.29
Beans	95,150.46	32,396.08	62,754.38
Multiple crop	136,677.98	23,766.19	112,911.79
Total	11,745,577.67	12,688,531.77	−942,954.10
ndemnities:			
Wheat	11,320,046.72	[2] 5,009,031.27	6,311,015.45
Cotton	3,112,623.11	602,378.81	2,510,244.30
Flax	542,821.49	795,096.36	−252,274.87
Corn	94,681.26	74,397.78	20,283.48
Tobacco	490,972.13	284,656.64	206,315.49
Beans	61,952.05	9,338.45	52,613.60
Multiple crop	22,148.72	1,386.93	20,761.79
Total	15,645,245.48	6,776,286.24	8,868,959.24
Premium surplus (−deficit)	−3,899,667.81	5,912,245.53	−9,811,913.34
Other income and expense:			
Interest income	136,717.21		136,717.21
Storage income	86,517.03		86,517.03
Nonrefundable credits	914.07		914.07
Provision for uncollectible accounts	−51,535.40	−63,500.00	11,964.60
Debt cancellations	−6,064.60		−6,064.60
Surplus (−deficit)	−3,733,119.50	5,848,745.53	−9,581,865.03
1949 deficit, as above		−3,733,119.50	
Insurance reserves (exhibit A)		2,115,626.03	

[1] Includes gain from hedging operations, amounting to $231,981.25.
[2] Includes losses from hedging operations, amounting to $25,937.50.

Exhibit C

Comparative statement of administrative and operating expenses for the 1950 and 1949 fiscal years, as of June 30, 1950

Description	Fiscal year 1950	Fiscal year 1949	Increase or decrease (−)
Operating expenses:			
Personal services	$2,384,029.86	$2,212,089.30	$171,940.56
Travel	561,333.44	453,529.92	107,803.52
Transportation of things	14,945.35	12,637.50	2,307.85
Communication services	32,180.38	26,364.90	5,815.48
Rents and utility services	175,607.19	150,712.75	24,894.44
Printing and binding	99,152.90	45,324.11	53,828.79
Other contractual services	38,604.21	31,998.26	6,605.95
Insurance contract sales expenses	557,112.69	397,727.65	159,385.04
Commodity purchase expense	5,000.00	4,375.00	625.00
Coverage and rate analysis expense	82,000.00	19,345.57	62,654.43
Premium collection expense	156,925.03	143,139.18	13,785.85
PMA, State and headquarters office expense	704,911.30	399,007.49	305,903.81
Audit expense	11,708.04	18,140.96	−6,432.92
Supplies and materials	55,001.69	41,342.74	13,658.95
Total expenses (excluding equipment purchases)	4,878,512.08	3,955,735.33	922,776.75
Equipment purchases	25,946.49	56,629.31	−30,682.82
Total expenses	4,904,458.57	4,012,364.64	892,093.93

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